

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Little Traverse Township	County Emmet
Fiscal Year End 3-31-06	Opinion Date July 11, 2006	Date Audit Report Submitted to State December 8, 2006	

We affirm that:

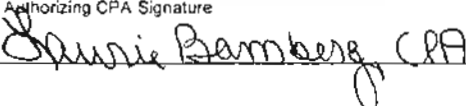
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations)

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

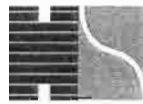
We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hill, Schroderus & Co., LLP		Telephone Number 231-347-4136		
Street Address 923 Spring Street		City Petoskey	State MI	Zip 49770
Authorizing CPA Signature 		Printed Name Laurie Bamberg		License Number 1101024450

FINANCIAL REPORT  
LITTLE TRAVERSE TOWNSHIP  
EMMET COUNTY, MICHIGAN  
March 31, 2006

LITTLE TRAVERSE TOWNSHIP  
FINANCIAL REPORT  
March 31, 2006

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July 11, 2006

Township Board  
Little Traverse Township  
Emmet County, Michigan

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Little Traverse Township, Michigan, (the Township) as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Little Traverse Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were not engaged as auditors of the Township until the end of the fiscal year, and our engagement did not include the performance of procedures necessary to enable us to satisfy ourselves as to the account balances as of April 1, 2005.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we performed procedures on the April 1, 2005 account balances, as explained above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Little Traverse Township, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hill, Schroderus & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan

# **LITTLE TRAVERSE TOWNSHIP**

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## **Management's Discussion and Analysis**

### **Overview of the Basic Financial Statements**

Little Traverse Township's basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. The financial report also contains required supplemental information in addition to the basic financial statements. Because this is the first year of implementation of GASB Statement No. 34, prior year numbers are not presented within the Management's Discussion and Analysis. A comparative analysis will be provided in future years when prior year information is available.

### **Government-wide Financial Statements**

The government-wide financial statements report information on all of the Township's non-fiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the Township's assets and liabilities, with the difference reported as *net assets*. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the Township (general government, public safety, public works, etc.), which are supported by the Township's general revenues (property taxes, state shared revenues, etc.).

### **Fund Financial Statements**

The fund financial statements report on the governmental fund and proprietary funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds.

The focus of the governmental fund financial statements is on the sources and uses of funds during the current year.

The proprietary fund financial statements present information as it would appear for a private-sector business.

The Little Traverse Township maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance for this fund, which is considered a major fund.

The Township maintains two proprietary funds, the Sewer Fund and the Water Fund. These funds are similar to a for-profit business, as they charge a fee for their services. Their information is presented in the proprietary fund statement of net assets, the statement of revenues, expenses and changes in fund net assets, and the statement of cash flows.

### Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-wide Financial Analysis

The table below summarizes the Township's net assets as of March 31, 2006:

<b>Little Traverse Township Statement of Net Assets March 31, 2006</b>			
	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Current and other assets	\$ 228,160	\$ 337,686	\$ 565,846
Non-current assets	-	5,276	5,276
Capital assets - net of accum. dep.	713,981	1,245,813	1,959,794
Total assets	<u>\$ 942,141</u>	<u>\$ 1,588,775</u>	<u>\$ 2,530,916</u>
<b>Liabilities</b>			
Current liabilities	\$ 7,408	\$ 82,735	\$ 90,143
Non-current liabilities	-	130,195	130,195
Total liabilities	<u>7,408</u>	<u>212,930</u>	<u>220,338</u>
<b>Net Assets</b>			
Investment in capital assets net of related debt	713,981	1,062,628	1,776,609
Restricted	-	130,410	130,410
Unrestricted	220,752	182,807	403,559
Total net assets	<u>934,733</u>	<u>1,375,845</u>	<u>2,310,578</u>
Total liabilities and net assets	<u>\$ 942,141</u>	<u>\$ 1,588,775</u>	<u>\$ 2,530,916</u>

At the end of the fiscal year, Little Traverse Township is able to report positive balances in all categories of net assets. The first portion of the Township's net assets is its investment in capital assets (land, buildings/building improvements, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets in providing services; consequently, these assets are not available for future spending.

The restricted net assets represent amounts required to be set aside for future repair and replacement of water system assets.

The remaining portion of net assets – unrestricted net assets – may be used at the Township's discretion to meet ongoing obligations.

The results for the Township as a whole are reported in the Statement of Activities, which is summarized below:

**Little Traverse Township  
Statement of Activities  
Year Ended March 31, 2006**

	Governmental Activities	Business-Type Activity	Total
<b>Revenue</b>			
Program revenue:			
Charges for services	\$ 7,831	\$ 459,207	\$ 467,038
Operating grants and contributions	-	3,417	3,417
Capital grants and contributions	-	27,666	27,666
General revenue:			
Property taxes	445,188	-	445,188
State shared revenues	169,162	-	169,162
Interest and rentals	13,604	11,958	25,562
Miscellaneous	290	230	520
Total revenues	<u>636,075</u>	<u>502,478</u>	<u>1,138,553</u>
<b>Function/Program Expenses</b>			
General government	169,588	-	169,588
Public safety	91,322	-	91,322
Public works	158,840	554,234	713,074
Recreation and cultural	16,190	-	16,190
Depreciation (unallocated)	38,114	-	38,114
Total expenses	<u>474,054</u>	<u>554,234</u>	<u>1,028,288</u>
Income (loss) before operating transfers	162,021	(51,756)	110,265
<b>Other financing sources (uses)</b>			
Transfers	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
Change in net assets	152,021	(41,756)	110,265
Net assets - beginning of year	<u>782,712</u>	<u>1,417,601</u>	<u>2,200,313</u>
Net assets - end of year	<u><u>\$ 934,733</u></u>	<u><u>\$ 1,375,845</u></u>	<u><u>\$ 2,310,578</u></u>

As reported above, the Township recorded \$1,028,288 of expenses. The Township's governmental activities were funded primarily with property tax revenues and state shared revenues. The Township's business-type activities are funded primarily through charges for services.

The Township experienced an overall increase in net assets of \$110,265.

### **The Township's Funds**

The analysis of the Township's major governmental fund begins on page 4. As of year end, the Township governmental fund reported a fund balance of \$209,107 which is \$101,365 more than the beginning of the year.

The analysis of the Township's major business-type activity funds begins on page 8. As of year end, the Township's Water Fund reported a net asset balance of \$1,193,038 which is \$9,257 less than the beginning of the year. The Township's Sewer Fund reported a net asset balance of \$182,807 which is \$32,499 less than the beginning of the year.

### **General Fund Budgetary Highlights**

The decrease from the original budgeted expenditures to the final budgeted expenditures was primarily due to a reduction in anticipated expenditures for road work and building and equipment maintenance.

Final actual revenues were higher than final budgeted amounts primarily due to increased tax collection and receivables as well as increased interest revenue. Final actual expenditures were lower than the final budgeted expenditures due primarily to overall controlled spending.

### **Capital Assets and Debt Administration**

At March 31, 2006 the Township had \$269,567 invested in capital assets. The following table summarizes the capital asset activity for the year:

Little Traverse Township Year Ended March 31, 2006				
	April 1, 2005	Additions	Disposals	March 31, 2006
Land	\$ 130,401	\$ -	\$ -	\$ 130,401
Buildings and improvements	786,877	37,201	-	824,078
Equipment	105,123	1,569	-	106,692
Water System	2,046,562	-	-	2,046,562
Total capital assets	3,068,963	38,770	-	3,107,733
Less accum. depreciation	(1,041,606)	(106,333)	-	(1,147,939)
Net capital assets	<u>\$ 2,027,357</u>	<u>\$ (67,563)</u>	<u>\$ -</u>	<u>\$ 1,959,794</u>



The Township's Water Fund has \$60,000 of revenue bonds outstanding at year end and a remaining balance of \$123,185 on a Special assessment capital lease agreement. Future water fund revenues will be utilized for repayment of these liabilities.

#### **Financial Contact**

The Township's financial statements are designed to present users with a general overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Township Treasurer, Little Traverse Township.

LITTLE TRAVERSE TOWNSHIP  
Statement of Net Assets  
March 31, 2006

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Current Assets</b>			
Cash	\$ 178,333	\$ 115,146	\$ 293,479
Restricted assets (cash):			
Bond covenants	-	60,000	60,000
2003 water main project	-	18,835	18,835
Receivables:			
Accounts	-	143,705	143,705
Taxes	38,182	-	38,182
Prepaid expenses	11,645	-	11,645
Total current assets	<u>228,160</u>	<u>337,686</u>	<u>565,846</u>
<b>Noncurrent Assets</b>			
Land	130,401	-	130,401
Depreciable assets	930,770	2,046,562	2,977,332
Less: accumulated depreciation	<u>(347,190)</u>	<u>(800,749)</u>	<u>(1,147,939)</u>
Total depreciable assets (net of depreciation)	713,981	1,245,813	1,959,794
Deferred charges	<u>-</u>	<u>5,276</u>	<u>5,276</u>
Total noncurrent assets	<u>713,981</u>	<u>1,251,089</u>	<u>1,965,070</u>
Total assets	<u><u>\$ 942,141</u></u>	<u><u>\$ 1,588,775</u></u>	<u><u>\$ 2,530,916</u></u>
<b><u>Liabilities and Net Assets</u></b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 6,905	\$ 24,532	\$ 31,437
Accrued interest	-	5,213	5,213
Due to other governmental units	503	-	503
Loans payable, due within one year	-	22,990	22,990
Bonds payable, due within one year	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Total current liabilities	<u>7,408</u>	<u>82,735</u>	<u>90,143</u>
<b>Noncurrent Liabilities</b>			
Loans payable, net	-	100,195	100,195
Bonds payable, net	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Total noncurrent liabilities	<u>-</u>	<u>130,195</u>	<u>130,195</u>
Total liabilities	<u>7,408</u>	<u>212,930</u>	<u>220,338</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	713,981	1,062,628	1,776,609
Restricted	-	130,410	130,410
Unrestricted	<u>220,752</u>	<u>182,807</u>	<u>403,559</u>
Total net assets	<u>934,733</u>	<u>1,375,845</u>	<u>2,310,578</u>
Total liabilities and net assets	<u><u>\$ 942,141</u></u>	<u><u>\$ 1,588,775</u></u>	<u><u>\$ 2,530,916</u></u>

**LITTLE TRAVERSE TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended March 31, 2006**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 169,588	\$ 6,178	\$ -	\$ -	\$ (163,410)	\$ -	\$ (163,410)
Public safety	91,322	1,363	-	-	(89,959)	-	(89,959)
Public works	158,840	-	-	-	(158,840)	-	(158,840)
Recreation and cultural	16,190	290	-	-	(15,900)	-	(15,900)
Unallocated depreciation	38,114	-	-	-	(38,114)	-	(38,114)
Total governmental activities	474,054	7,831	-	-	(466,223)	-	(466,223)
Business-type activities:							
Water	159,530	97,294	3,417	27,666	-	(31,153)	(31,153)
Sewer	394,704	361,913	-	-	-	(32,791)	(32,791)
Total business-type activities	554,234	459,207	3,417	27,666	-	(63,944)	(63,944)
Total primary government	\$ 1,028,288	\$ 467,038	\$ 3,417	\$ 27,666	(466,223)	(63,944)	(530,167)
General revenues:							
Property taxes					445,188	-	445,188
State-shared revenues					169,162	-	169,162
Interest and rentals					13,604	11,958	25,562
Miscellaneous					290	230	520
Transfers					(10,000)	10,000	-
Total general revenues and transfers					618,244	22,188	640,432
Change in net assets					152,021	(41,756)	110,265
Net assets - beginning of year					782,712	1,417,601	2,200,313
Net assets - end of year					\$ 934,733	\$ 1,375,845	\$ 2,310,578

See accompanying notes to the basic financial statements.

LITTLE TRAVERSE TOWNSHIP  
Balance Sheet  
Governmental Fund  
March 31, 2006

	<u>Assets</u>	General Fund
Cash		\$ 178,333
Taxes receivable		38,182
		<hr/>
Total assets		\$ 216,515
		<hr/> <hr/>
	<u>Liabilities and Fund Balance</u>	
<b>Liabilities</b>		
Accounts payable		\$ 6,905
Due to other governmental units		503
		<hr/>
Total liabilities		7,408
		<hr/>
<b>Fund balance</b>		
Unreserved		209,107
		<hr/>
Total fund balance		209,107
		<hr/>
Total liabilities and fund balance		\$ 216,515
		<hr/> <hr/>

LITTLE TRAVERSE TOWNSHIP  
Reconciliation of the Governmental Fund Balance Sheet to the  
Statement of Net Assets  
March 31, 2006

Total Fund Balance - Governmental Fund	\$ 209,107
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Governmental funds report prepaid items as an expenditure in the year of payment. However, in the statement of net assets, the amounts are considered assets and are expensed over the term of the contract.	11,645
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Governmental funds report capital outlays as expenditures. However,  
in the statement of net assets, these assets are capitalized and depreciated  
over their estimated useful lives.

Governmental capital assets	1,061,171
Accumulated depreciation	<u>(347,190)</u>

Net Assets of Governmental Activities	<u><u>\$ 934,733</u></u>
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LITTLE TRAVERSE TOWNSHIP  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
For the Year Ended March 31, 2006

	General Fund
<b>Revenues</b>	
Taxes	\$ 445,188
State revenues	169,162
Charges for services	7,831
Interest and rentals	13,604
Other	290
	<hr/>
Total revenues	636,075
	<hr/>
<b>Expenditures</b>	
Current:	
General government	169,229
Public safety	91,322
Public works	158,840
Recreation and cultural	53,391
Debt service	51,928
	<hr/>
Total expenditures	524,710
	<hr/>
<b>Other financing sources (uses)</b>	
Operating transfers out	(10,000)
	<hr/>
<b>Net change in fund balance</b>	101,365
	<hr/>
<b>Fund balance - beginning of year</b>	107,742
	<hr/>
<b>Fund balance - end of year</b>	\$ 209,107
	<hr/> <hr/>

LITTLE TRAVERSE TOWNSHIP  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balance of the Governmental Fund to the  
Statement of Activities  
For the Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Fund	\$ 101,365
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of these assets is allocated over  
their estimated useful lives as depreciation.

Expenditures for capital assets	38,770
Current year depreciation	(38,114)

Repayment of bond principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the statement  
of net assets. This is the amount of principal paid on long-term debt.

	50,000
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Change in Net Assets of Governmental Activities	\$ 152,021
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LITTLE TRAVERSE TOWNSHIP  
Statement of Net Assets  
Proprietary Funds  
March 31, 2006

	Business-Type Activities - Enterprise Funds		
	Water System	Sewer System	Total
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash	\$ 30,562	\$ 84,584	\$ 115,146
Restricted assets (cash):			
Bond covenants	60,000	-	60,000
2003 water main project	18,835	-	18,835
Accounts receivable	24,910	118,795	143,705
Total current assets	134,307	203,379	337,686
<b>Noncurrent Assets</b>			
Depreciable assets	2,046,562	-	2,046,562
Less: accumulated depreciation	(800,749)	-	(800,749)
Total depreciable assets (net of depreciation)	1,245,813	-	1,245,813
Deferred charges	5,276	-	5,276
Total noncurrent assets	1,251,089	-	1,251,089
Total assets	\$ 1,385,396	\$ 203,379	\$ 1,588,775
<b><u>Liabilities and Net Assets</u></b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 3,960	\$ 20,572	\$ 24,532
Accrued interest	5,213	-	5,213
Loans payable, due within one year	22,990	-	22,990
Bonds payable, due within one year	30,000	-	30,000
Total current liabilities	62,163	20,572	82,735
<b>Noncurrent Liabilities</b>			
Loans payable	100,195	-	100,195
Bonds payable	30,000	-	30,000
Total noncurrent liabilities	130,195	-	130,195
Total liabilities	192,358	20,572	212,930
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,062,628	-	1,062,628
Restricted	130,410	-	130,410
Unrestricted	-	182,807	182,807
Total net assets	1,193,038	182,807	1,375,845
Total liabilities and net assets	\$ 1,385,396	\$ 203,379	\$ 1,588,775



LITTLE TRAVERSE TOWNSHIP  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended March 31, 2006

	Business-Type Activities - Enterprise Funds		
	Water System	Sewer System	Total
<b>Operating revenues</b>			
Charges for services	\$ 89,294	\$ 359,913	\$ 449,207
<b>Operating expenses</b>			
Personal services	1,601	3,220	4,821
Contractual services	77,185	385,884	463,069
Other supplies and expenses	2,122	5,600	7,722
Depreciation	68,219	-	68,219
Amortization	2,041	-	2,041
Total operating expenses	151,168	394,704	545,872
Operating income (loss)	(61,874)	(34,791)	(96,665)
<b>Nonoperating revenues</b>			
Hook-up fees	8,000	2,000	10,000
Interest	11,896	62	11,958
State grants	3,417	-	3,417
Miscellaneous	-	230	230
Total nonoperating revenues	23,313	2,292	25,605
<b>Nonoperating expenses</b>			
Interest	8,362	-	8,362
Total nonoperating revenues (expenses)	14,951	2,292	17,243
Income (loss) before operating transfers and capital contributions	(46,923)	(32,499)	(79,422)
<b>Other financing sources (uses)</b>			
Operating transfers in	10,000	-	10,000
<b>Capital contributions</b>			
	27,666	-	27,666
Change in net assets	(9,257)	(32,499)	(41,756)
Total net assets - beginning	1,202,295	215,306	1,417,601
Total net assets - ending	\$ 1,193,038	\$ 182,807	\$ 1,375,845

**LITTLE TRAVERSE TOWNSHIP**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended March 31, 2006**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 86,071	\$ 333,426	\$ 419,497
Payments to suppliers	(75,347)	(370,912)	(446,259)
Payments to employees for services	(1,601)	(3,220)	(4,821)
Net cash provided (used) by operating activities	<u>9,123</u>	<u>(40,706)</u>	<u>(31,583)</u>
<b>Cash flows from non-capital financing activities</b>			
Transfers in	<u>10,000</u>	<u>-</u>	<u>10,000</u>
<b>Cash flows from capital and related financing activities</b>			
Collection of customer assessments (principal and interest)	38,357	-	38,357
Proceeds from tap and connection fees	11,417	2,230	13,647
Principal paid on bonds and loans	(52,221)	-	(52,221)
Interest paid on bonds and loans	(9,711)	-	(9,711)
Net cash provided (used) for capital and related financing activities	<u>(12,158)</u>	<u>2,230</u>	<u>(9,928)</u>
<b>Cash flows from investing activities</b>			
Interest received	<u>1,205</u>	<u>62</u>	<u>1,267</u>
Net increase (decrease) in cash	8,170	(38,414)	(30,244)
<b>Cash, beginning</b>	<u>101,227</u>	<u>122,998</u>	<u>224,225</u>
<b>Cash, ending</b>	<u><u>\$ 109,397</u></u>	<u><u>\$ 84,584</u></u>	<u><u>\$ 193,981</u></u>

LITTLE TRAVERSE TOWNSHIP  
Statement of Cash Flows  
Proprietary Funds  
(Continued)  
For the Year Ended March 31, 2006

	Business-Type Activities - Enterprise Funds		
	Water System	Sewer System	Total
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (61,874)</u>	<u>\$ (34,791)</u>	<u>\$ (96,665)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	68,219	-	68,219
Amortization	2,041	-	2,041
(Increase) decrease in accounts receivable	(3,223)	(26,487)	(29,710)
Increase (decrease) in accounts payable	<u>3,960</u>	<u>20,572</u>	<u>24,532</u>
Total adjustments	<u>70,997</u>	<u>(5,915)</u>	<u>65,082</u>
Net cash provided (used) by operating activities	<u>\$ 9,123</u>	<u>\$ (40,706)</u>	<u>\$ (31,583)</u>

LITTLE TRAVERSE TOWNSHIP  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
March 31, 2006

	<u>Agency Fund</u>
<b><u>Assets</u></b>	
Cash	<u>\$ 22,036</u>
<b><u>Liabilities</u></b>	
Due to other taxing units:	
State of Michigan	2,164
County	2,955
Cemetery	112
Schools:	
Harbor Springs	8,860
Petoskey	1,269
Char-Em Intermediate	1,896
North Central Michigan College	1,606
Miscellaneous	<u>3,174</u>
Total due to other taxing units	<u>\$ 22,036</u>

**LITTLE TRAVERSE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Little Traverse Township (the Township) operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, sanitary sewer, water, culture, public improvements, planning and zoning and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Pronouncements of the FASB issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary funds in accordance with GASB Statement No. 20. The following is a summary of the significant policies used by Little Traverse Township:

**REPORTING ENTITY**

The accompanying financial statements have been prepared in accordance with criteria established by GASBS No. 14, and amended by GASBS No. 39. GASBS 14 states that the primary basis for determining whether outside agencies and organizations should be considered component units of the Township and included in the Township's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Township has no component units.

**BASIC FINANCIAL STATEMENTS – OVERVIEW**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule the effect of interfund activity, such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS – CONTINUED

In the government-wide Statement of Net Assets, both the governmental and business-type activity are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

#### BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental or business-type categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds.

##### Governmental Funds

The following is a description of the major governmental fund of the Township:

**General Fund** – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

##### Proprietary Funds

The focus on the proprietary funds is upon the determination of operating income, changes in fund net assets, financial position, and cash flows, which is similar to for-profit businesses. The following is a description of the major proprietary funds of the Township:

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS – CONTINUED

**Water Fund** – The Water Fund is an Enterprise Fund. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water service to the general public are recovered through user charges.

**Sewer Fund** – The Sewer Fund is an Enterprise Fund. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses) of providing sewer service to the general public are recovered through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Fiduciary Fund

The fiduciary fund is used to account for assets held by the Township in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, this fund is not incorporated into the government-wide statements.

Agency funds use the accrual basis of accounting, however report only assets and liabilities.

**Agency Fund** – The Agency Fund accounts for the collection and payment of property tax levies.

#### BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

All proprietary funds and agency funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIS OF ACCOUNTING – CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

#### ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

##### Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

##### Interfund Receivables/Payables

Outstanding balances between funds are reported as "due to/from other funds" on the balance sheet of the fund financial statements and as "internal balances" on the Statement of Net Assets of the government-wide financial statements.

##### Capital Assets

Capital assets, which include property, buildings and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for land, are recorded by the Township when the initial individual costs are equal to or greater than \$1,000. Land is recorded when the initial cost equals or exceeds \$1.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Land Improvements	20 years
Buildings and Building Improvements	40 years
Water System	30 years
Leasehold Improvements	20 years
Vehicles	5 to 7 years
Equipment	5 years
Computer Equipment	3 years



## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – CONTINUED

##### Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

##### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### COMPARATIVE DATA

Comparative data for the prior year is not included in the Township's financial statements.

#### ACCOUNTING CHANGE

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Effective April 1, 2005, the Township implemented the provisions of GASB No. 34. Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements with a focus on major funds.
- Capital assets in the governmental activities column of the Statement of Net Assets include assets which were previously reported in the General Fixed Asset Account Group.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds of the Township except for the agency fund. Budgetary control is legally maintained at the fund level.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an appropriation act.
4. The budget is adopted at the total fund level on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year, and lapse at year-end.

The Township did not have an excess of expenditures over appropriations for its governmental fund.

#### Sinking Fund

To comply with a 1993 water system purchase agreement, the Water Utility Fund is required to reserve in a sinking fund, a portion of annual service charges for use in future repair and replacement of systems assets. At March 31, 2006, the sinking fund should be \$644,120, however, the Township was only able to restrict \$130,410.

### NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township's investment policy limits deposits to certificates of deposit, savings accounts with banks, savings and loan associations, and credit unions which are insured with the applicable federal agency. At year-end, the carrying amount of the Township's deposits was \$394,350 and the bank balance was \$400,381. Of the bank balance, \$100,725 was covered by Federal depository insurance. The remaining amount was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds. The Township may experience significant fluctuations in deposit balances through the year.

*Concentration of Credit Risk.* The Township policy does not quantify the limit on the amount it may invest in any one issuer.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 3: DEPOSITS AND INVESTMENTS – CONTINUED

*Interest Rate Risk.* The Township policy does not limit investor maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Pooling of Cash – The Township pools cash to maximize its investment return.

<u>Fund</u>	<u>Pooled Cash</u>
General	\$ 178,333
Sewer	84,584
Water	109,397
Agency	<u>22,036</u>
Total pooled cash	<u>\$ 394,350</u>
Unrestricted cash	\$ 315,515
Restricted cash	<u>78,835</u>
Total cash	<u>\$ 394,350</u>

### NOTE 4: RESTRICTED CASH

The Water Utility Fund has restricted \$ 60,000 for 1993 Special Assessment Districts No. 93-1W, 93-2W, and 93-3WS bonds, bond principal and interest payments. Monies collected (including principal, interest and penalties) from special assessments are to be restricted for bond principal payments. An additional \$60,000 of principal will be collected through the year 2008.

The water utility fund has restricted \$18,835 for 2003 special assessment District No. 03-1 which was received as part of a capital lease agreement for the new watermain.

### NOTE 5: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied in December and are payable from December through February 14. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittances of them to units are accounted for in the Agency Fund. Property tax revenues are recognized in the year for which they are levied.

The Township is permitted by state law, subject to State Headlee and Truth-in-Taxation provisions, to levy taxes up to \$2 per \$1,000 of taxable valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for payment of principal and interest on general obligation long-term debt.

The 2005 State taxable valuation of Little Traverse Township totaled \$226,034,440 on which ad valorem taxes levied consisted of 1.9538 mills for Little Traverse Township operating purposes.

### NOTE 6: RESTRICTED ASSETS

The restricted assets in the Water Fund consist of funds required to be set aside for future repair and replacement of system assets.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7: INTERFUND TRANSFERS**

Operating transfers are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 10,000
Water Fund	<u>10,000</u>	<u>-</u>
	<u>\$ 10,000</u>	<u>\$ 10,000</u>

The operating transfer is for the general government's portion of debt payments. Fire hydrants are part of the general government's public safety expenses.

**NOTE 8: CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows:

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2006</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 130,401	\$ -	\$ -	\$ 130,401
Capital assets being depreciated:				
Land improvements	238,739	37,201	-	275,940
Buildings and improvements	548,138	-	-	548,138
Equipment	84,969	-	-	84,969
Computer equipment	<u>20,154</u>	<u>1,569</u>	<u>-</u>	<u>21,723</u>
Subtotal	<u>892,000</u>	<u>38,770</u>	<u>-</u>	<u>930,770</u>
Less accumulated depreciation:				
Land improvements	(109,715)	(13,354)	-	(123,069)
Buildings and improvements	(122,330)	(13,703)	-	(136,033)
Equipment	(65,591)	(5,882)	-	(71,473)
Computer equipment	<u>(11,440)</u>	<u>(5,175)</u>	<u>-</u>	<u>(16,615)</u>
Subtotal	<u>(309,076)</u>	<u>(38,114)</u>	<u>-</u>	<u>(347,190)</u>
Net capital assets being depreciated	<u>582,924</u>	<u>656</u>	<u>-</u>	<u>583,580</u>
Governmental activities net capital assets	<u>\$ 713,325</u>	<u>\$ 656</u>	<u>\$ -</u>	<u>\$ 713,981</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 8: CAPITAL ASSETS- CONTINUED**

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2006</u>
<b>Business-type Activities</b>				
Capital assets being depreciated:				
Water system	\$ 2,046,562	\$ -	\$ -	\$ 2,046,562
Less accumulated depreciation:				
Water system	(732,530)	(68,219)	-	(800,749)
Business-type activities net capital assets	<u>\$ 1,314,032</u>	<u>\$ (68,219)</u>	<u>\$ -</u>	<u>\$ 1,245,813</u>

Depreciation expense was charged as follows:

**Governmental Activities**

Unallocated	<u>\$ 38,114</u>
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**Business-type Activities**

Water	<u>\$ 68,219</u>
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**Proprietary Fund Type Property, Plant and Equipment**

Proprietary fund type property, plant and equipment at March 31, 2006 is summarized as follows:

	<u>Enterprise</u>
Water system	\$ 2,046,562
Less: accumulated dep.	<u>(800,749)</u>
Net	<u>\$ 1,245,813</u>

# NOTES TO FINANCIAL STATEMENTS - CONTINUED

## NOTE 9: LONG-TERM DEBT

The following is a summary of the Township's long-term debt transactions for the year-ended March 31, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<b>Governmental Activities</b>					
Bonds and notes payable:					
General obligation debt	\$ 50,000	\$ -	\$ (50,000)	\$ -	\$ -
<b>Business-type Activities</b>					
Bonds and notes payable:					
Revenue obligation debt	90,000	-	(30,000)	60,000	30,000
Other liabilities:					
Special assessment capital lease	145,407	-	(22,222)	123,185	22,990
Total business-type activities					
long-term liabilities	\$ 235,407	\$ -	\$ (52,222)	\$ 183,185	\$ 52,990

Long-term liabilities payable at March 31, 2006 is composed of the following individual issues:

### **General Obligation (Governmental Activities):**

\$275,000 Township Hall Property Note Payable due in annual installments of \$40,000 to \$50,000 through 2005; interest at 5.3 percent. The note was paid off in the current year.

\$ -

### **Revenue Obligation (Business-type Activities):**

\$375,000, 1993 Watermain Special Assessment Districts No.93-1W, 93-2W, and 93-3WS bonds due in annual installments of \$30,000 principal only through 2007; interest at 5.20 to 5.25 percent.

\$ 60,000

\$170,000, 2003 Special assessment capital lease agreement for acquisition of watermain due in annual installments of \$27,252; interest at 3.46 percent, through 2010.

123,185

Total business-type activities revenue obligation debt

\$183,185

# NOTES TO FINANCIAL STATEMENTS - CONTINUED

## NOTE 9: LONG-TERM DEBT - CONTINUED

The annual requirements to amortize all revenue obligation debt outstanding, as of March 31, 2006, are as follows:

### Annual Requirements to Amortize Outstanding Debt March 31, 2006

Year Ending March 31	Business-type Activities	
	Principal	Interest
2007	\$ 52,990	\$ 7,397
2008	53,786	5,042
2009	24,609	2,644
2010	25,460	1,792
2011	26,340	912
Total	<u>\$ 183,185</u>	<u>\$ 17,787</u>

## NOTE 10: DEFERRED CHARGES

Debt issuance cost within the Water Fund of \$30,618 relating to the 1993 Revenue Obligation Bonds are being amortized using the straight-line method over the 15-year life of the 1993 bonds. Amortization expense of \$2,041 was recognized in the current year; unamortized amounts at year-end amounted to \$5,276.

## NOTE 11: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100% of its claims.

The Township also belongs to the Michigan Municipal Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and worker's compensation insurance program for various municipalities throughout the state. The Township pays an annual premium for its worker's compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 12: COMMITMENTS

Sewer Fund - The Township is a participant in a joint sewage disposal system administered by the Harbor Springs Area Sewage Disposal Authority and is committed to share in a portion of all costs, including principal and interest on long-term debt. The Township's portion of long-term debt consists of the following bond issues:

The original 1988 Bonds were refunded in 2004. The faith and credit of the Township has been pledged to pay its 20.24% share of the \$340,000 refunding bonds issued by the Harbor Springs Area Sewage Disposal Authority through the year 2009.

The original 1989 Bonds were also refunded in 2004. The faith and credit of the Township has been pledged to pay its 36.16% share of the \$370,000 refunding bonds issued by the Harbor Springs Area Sewage Disposal Authority through the year 2009.

In March 2002, the Township entered into a contract with the Harbor Springs Area Sewage Disposal Authority for the Township's share of the cost of a new wastewater treatment facility and the closure of the Authority's existing lagoon and spray irrigation system. The faith and credit of the Township has been pledged to pay its 27.06% share of the related \$5,664,770 of bonds issued by the Harbor Springs Area Sewage Disposal Authority through the year 2023.

The annual requirements to amortize the Township's portion of these debts outstanding as of March 31, 2006, including interest payments of \$334,651 are as follows:

<u>Year Ending March 31</u>	<u>Amount</u>
2007	\$ 146,210
2008	146,391
2009	144,585
2010	127,189
2011	98,700
2012 - 2016	491,537
2017 - 2021	489,744
2022 - 2026	<u>197,912</u>
	<u>\$1,842,268</u>



## REQUIRED SUPPLEMENTARY INFORMATION

**LITTLE TRAVERSE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
<b>Beginning budgetary fund balance</b>	\$ 100,000	\$ 106,000	\$ 107,742	\$ 1,742
<b>Resources (Inflows):</b>				
Taxes	448,000	417,000	445,188	28,188
State revenues	168,400	169,300	169,162	(138)
Charges for services	8,800	7,800	7,831	31
Interest and rentals	4,300	7,400	13,604	6,204
Other	1,500	300	290	(10)
	<u>731,000</u>	<u>707,800</u>	<u>743,817</u>	<u>36,017</u>
Amounts available for appropriations	731,000	707,800	743,817	36,017
<b>Charges to appropriations (outflows):</b>				
General government:				
Legislative	4,400	4,400	2,345	(2,055)
Trustees	7,500	7,500	9,693	2,193
Supervisor	11,000	11,000	10,524	(476)
Elections	1,000	1,000	892	(108)
Accounting and audit	500	500	-	(500)
Assessing	32,000	28,000	28,009	9
Legal services	12,000	13,000	10,594	(2,406)
Clerk	7,500	7,500	6,789	(711)
Board of review	2,000	2,000	1,932	(68)
Treasurer	18,500	18,500	15,642	(2,858)
Office manager/bookkeeper	31,000	31,000	27,957	(3,043)
Building and equipment	61,000	37,000	40,060	3,060
Insurance	10,000	15,000	14,792	(208)
Projects in progress	6,000	6,000	-	(6,000)
	<u>204,400</u>	<u>182,400</u>	<u>169,229</u>	<u>(13,171)</u>
Total general government	204,400	182,400	169,229	(13,171)
Public safety:				
Police	100	100	-	(100)
Fire Protection	55,000	58,000	62,184	4,184
Planning and zoning	35,000	30,000	29,138	(862)
	<u>90,100</u>	<u>88,100</u>	<u>91,322</u>	<u>3,222</u>
Total public safety	90,100	88,100	91,322	3,222
Public works:				
Roads	178,500	129,500	120,790	(8,710)
Cemetery	10,000	5,700	5,150	(550)
Recycle program	27,000	29,000	26,571	(2,429)
Airport authority	6,300	6,300	6,329	29
	<u>221,800</u>	<u>170,500</u>	<u>158,840</u>	<u>(11,660)</u>
Total public works	221,800	170,500	158,840	(11,660)

LITTLE TRAVERSE TOWNSHIP  
 Budgetary Comparison Schedule  
 General Fund  
 (Continued)  
 For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
Recreation and cultural:				
Little Traverse Community Center	4,000	5,000	-	(5,000)
Parks and recreation	40,000	52,000	53,391	1,391
Total recreation and cultural	44,000	57,000	53,391	(3,609)
Debt service	52,700	52,000	51,928	(72)
Transfers (out)	10,000	10,000	10,000	-
Total charges to appropriations	623,000	560,000	534,710	(25,290)
Ending budgetary fund balance	\$ 108,000	\$ 147,800	\$ 209,107	\$ 61,307

## OTHER SUPPLEMENTAL INFORMATION

**LITTLE TRAVERSE TOWNSHIP**  
**Water Fund**  
**Schedule of Indebtedness**  
**March 31, 2006**

TITLE: 1993 Water Main Special Assessment Bond

DATE OF ISSUE: November 1, 1993

RATE OF INTEREST: 5.2% to 5.25%

ORIGINAL OBLIGATION: \$ 375,000

AMOUNT PREVIOUSLY PAID: 315,000

BALANCE OUTSTANDING - March 31, 2006 \$ 60,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>November 1 Interest</u>	<u>November 1 Principal</u>	<u>Annual Requirements</u>
2006-07	5.20%	\$ 3,135	\$ 30,000	\$ 33,135
2007-08	5.25%	1,575	30,000	31,575
		<u>\$ 4,710</u>	<u>\$ 60,000</u>	<u>\$ 64,710</u>

Call provision: Bonds maturing in the years 2002 to 2007, inclusive, shall be subject to redemption prior to maturity at the option of the Township, in any order, in whole or in part, in integral multiples of \$5,000, on any interest payment date on or after November 1, 2000. Bonds called for redemption shall be redeemed at par and accrued interest to the date fixed for redemption. Plus a premium expressed in percentage of par value as follows:

For the fiscal year ended 2002 to thereafter 0.00%

LITTLE TRAVERSE TOWNSHIP  
Water Fund  
Schedule of Indebtedness  
March 31, 2006

TITLE: 2003 Special Assessment Capital Lease

DATE OF ISSUE: November 18, 2003

RATE OF INTEREST: 3.46%

ORIGINAL OBLIGATION: \$ 170,000

AMOUNT PREVIOUSLY PAID: 46,814

BALANCE OUTSTANDING - MARCH 31, 2006 \$ 123,186

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>May 1, Interest</u>	<u>May 1, Principal</u>	<u>Annual Requirements</u>
2006-07	3.46%	\$ 4,262	\$ 22,990	\$ 27,252
2007-08	3.46%	3,467	23,786	27,253
2008-09	3.46%	2,644	24,609	27,253
2009-10	3.46%	1,792	25,460	27,252
2010-11	3.46%	912	26,340	27,252
		<u>\$ 13,077</u>	<u>\$ 123,185</u>	<u>\$ 136,262</u>